

**BEHAVIOURAL  
SCIENCE FOR  
SUPREMACY IN  
RETAIL BANKING**



**Behavioural science serves as a new frontier in banking, providing an innovative means of capitalising upon the substantial investment in technology and people that is evident across the industry.**

Consumer retail banking is developing at an unprecedented pace. New technology, new entrants, new regulations and new expectations. All over the world.

These trends are extensively reported in global news, by industry experts and commentators. But how should banks evolve to ensure they remain competitive and relevant?

Technological advancements are often presented as the solution, whether dealing with the limitations of legacy systems, embracing new innovations or defending against new entrants such as fintechs and other big names. Banks have made enormous (and scalable) investments in technology, however many of the most important challenges facing retail banking actually hinge upon decisions made by customers or employees. For example migration to digital products and services, responsible investment and financial security all rely upon people deciding to behave in a certain way.

The good news is that we have learnt more about how people make decisions, through behavioural science, in the last 50 years than in the previous 5,000.

To stay competitive in the face of pressure from inside and outside the industry, banks must harness the power of behavioural science. As experts in global retail banking, behavioural science and consumer insight the BVA Group is uniquely positioned to help.

# HERE WE SHARE

- Our perspective on selected industry developments
- Examples of how leading brands are responding to the shifting landscape
- Insight about how to unlock opportunities through behavioural science

Click through to learn more

The accelerating pace of digital transformation	6 - 9
Redefining the role of the 'store'	10 - 13
Optimising the contact centre	14 - 17
The path to financial well-being	18 - 21
Evolving talent strategies	22 - 25



# THE ACCELERATING PACE OF DIGITAL TRANSFORMATION



## Developments

1. The rise of financial 'super apps' in APAC, combining banking, social and entertainment features
2. Speculation about when the neobank focus will shift from hyper-growth to profitability
3. Launches of digital-only offerings from traditional players and operators from other sectors
4. Big tech and fintech disruption through innovation in payments, communications and AI, as well as partnerships with established banking brands

## Examples

**Goldman Sachs** launched a credit card with **Apple** in 2019 and is now reportedly exploring business loan opportunities with **Amazon**.<sup>1</sup>

**BNP Paribas** and open banking platform **Tink** have extended their European partnership to the Italian retail network, Banca Nazionale del Lavoro (BNL), after a successful implementation with BNP Paribas Fortis in Belgium.<sup>2</sup>



The adoption of digital banking and new payment methods is most rapid in Asia, but it is in the UK where we are seeing the largest volume of challengers enter the market thanks to regulation that encourages competition. These neobanks have successfully transformed the look and feel of banking, distancing themselves from the traditional image of the sector. However, many consumers are using these brands as secondary accounts, while the most sophisticated users exploit the frictionless experiences to capitalise upon just one or two distinct features from each brand, rather than establishing a truly profitable relationship.

Meanwhile, traditional banks continue to invest in the development of digital services (or their own digital-only brands) but some consumers still have yet to embrace fully the options available to them. The banks that encourage deeper, habitual, digital adoption will be the banks that achieve the greatest return on investment.

CAROLINE AHMED, BVA BDRC



UK

# USE BEHAVIOURAL SCIENCE TO:

1

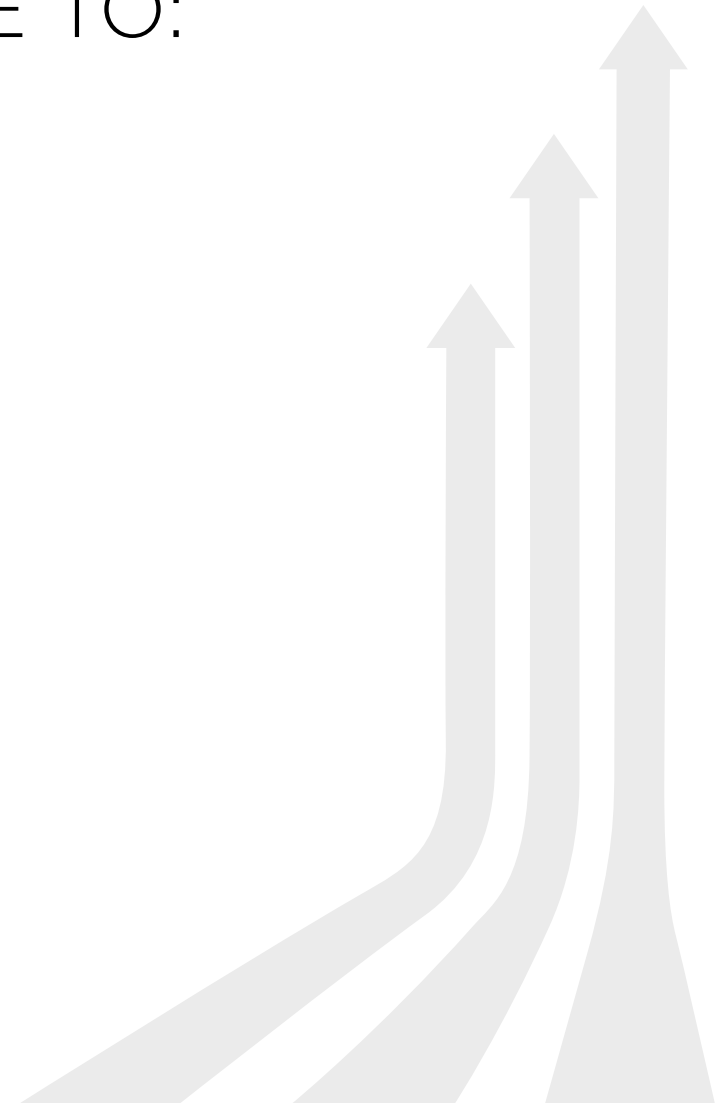
Encourage customers to use your brand as their primary account

2

Increase conversion through your digital channels

3

Encourage greater adoption of digital features



# BEHAVIOURAL SCIENCE IN ACTION

## **Monzo's application journey**

Monzo's use of behavioural science drives customer acquisition and improves the user experience.

- Prominently displaying customer numbers signals popularity, harnessing social norms and our desire to follow the herd
- Breaking the application process into manageable stages and rewarding consumers with badges as they move through the tasks reduces the cognitive load and generates reciprocity





# REDEFINING THE ROLE OF THE 'STORE'



## Developments

1. Banks worldwide are opting for a reduced physical presence, to tackle lower usage and rising costs
2. The emergence of 'banking deserts' where the population has no access to banking services within at least 15 km
3. The launch of new store concepts by banks seeking to re-engineer their physical services through digitised experiences

## Examples

**ICBC (Asia)** promotes its financial 'stores' in Hong Kong as a hi-tech yet customer-centric approach, with a wide range of digital features and interactive options such as multi-touch tables, dual face monitors, tablets and digital posters.<sup>3</sup>

**CheBanca!**, the Italian 'digital first' bank, uses a physical presence to broaden and deepen customer relationships. Its stores are run by retailers, rather than bankers, and include features such as biometric recognition.<sup>4</sup>



The phenomenon of banking deserts brings serious consequences for those without access to digital banking services; it is a particular issue in the USA where the Federal Reserve estimates that 55 million people are already unbanked or underbanked<sup>5</sup>. This is an important reminder that 'banking the unbanked' is not just a challenge for developing countries or emerging economies.

For brands choosing to maintain a branch network, the combination of a physical and digital presence should be a competitive advantage. To achieve this advantage it will be necessary to re-frame the physical branch experience and change consumer habits, so that staff are able to focus on added-value services with routine tasks completed online or via self-service facilities.

**MATTHEW PETRIE, BVA BDRC**

 **USA**

# USE BEHAVIOURAL SCIENCE TO:

1

Reset consumer expectations about what must be done face-to-face

2

Encourage use of self-service options and engagement with new store formats

3

Overcome loss aversion when announcing branch changes and closures

4

Nudge customers towards alternative channels

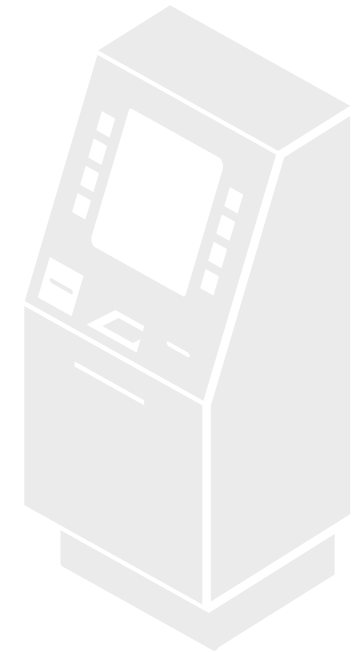


# BEHAVIOURAL SCIENCE IN ACTION

## **Our work for a Latin American bank**

We identified a series of nudges to encourage greater use of self-service machines.

These changes, such as footprints leading to the machines, resulted in a 35% increase in self-service.





# OPTIMISING THE CONTACT CENTRE



## Developments

1. A critical point of human interaction as physical branches close, evolve or are not offered
2. Increasingly handling more complex requirements while routine transactions are routed towards digital channels
3. A need for contact centre scripts, skills and performance metrics to evolve in line with the changing nature of customer interactions

## Example

**Citizens Bank** has implemented a customer-centric model, training its staff to better understand and resolve customers' issues, particularly those that cannot be addressed online. Targets are based upon first contact resolution and not call handling time.<sup>6</sup>



Call centres are rarely mentioned in papers about future trends in banking. However, they are a major investment for banks and can be a significant tipping point in the relationship. Steering customers towards self-service for routine tasks is not only more cost-effective, but also a path to higher satisfaction, leaving the contact centre free to deal with more complex needs or emergencies.

As digital and physical channels evolve, contact centres may have greater potential to become a relationship rather than transactional channel, absorbing interactions previously delivered face-to-face. This brings clear consequences for contact centre strategy, resources and skills, particularly as consumer expectations about effortless interactions and seamless omni-channel experiences continue to grow.

**JEAN FRANÇOIS LEVIONNOIS, BVA GROUP**  **FRANCE**

# USE BEHAVIOURAL SCIENCE TO:

1

Nudge customers towards self-service for transactional needs

2

Re-frame digital services as the default option

3

Optimise contact centre scripts to enhance performance and customer experience





# BEHAVIOURAL SCIENCE IN ACTION

## **Our work for one of the UK's largest savings banks**

We identified a series of interventions which contributed to an 11% increase in efficiency, as well as enhancing the customer experience.

These included counter-intuitive recommendations to slow down the conversation, so that the success rate of identity checks improved.





# THE PATH TO FINANCIAL WELL-BEING



## Developments

1. Investment continues to be directed towards products and services aiming to stimulate better financial well-being, with further motivation coming from new competitors and regulators
2. A shift in focus from life's 'big milestones' to smaller everyday behaviours that contribute to financial health
3. Enhanced opportunities to stimulate financial health through predictive analytics and AI

## Examples

**BBVA's** collaboration with **Google** created Bconomy, a tool that predicts future income and expenses. Analysis of transactions means the app can alert customers if they are likely to be low on funds that month and suggest moving money from a savings account.<sup>7</sup>

In New Zealand, **Westpac** has partnered with **Moven Enterprise** for several years to give its customers real-time understanding of their spending habits.<sup>8</sup>



The Italian market serves as a reminder that financial well-being extends beyond day-to-day spending and budgeting tools. As a 'nation of savers', interventions are needed to nudge people from cash savings towards products that will strengthen their long-term financial health.

Irrespective of whether the emphasis is upon planning for the future or becoming more resilient to shock, financial well-being initiatives will only succeed if they prompt behavioural change: it's not enough simply to raise awareness and educate. The banks that help customers achieve financial well-being and their overall goals will create stronger bonds and win in the longer term.

**SIMONE PIZZOGLIO, BVA DOXA**

 **ITALY**

# USE BEHAVIOURAL SCIENCE TO:

1

Refine communications to motivate those most in need of help

2

Help customers convert good intentions into action

3

Tackle sub-optimal use of credit features

4

Encourage planning for the future





# BEHAVIOURAL SCIENCE IN ACTION

## **Merill Lynch**

The Merrill Lynch 'Face Retirement' tool helps customers overcome 'present bias'. Editing photos to show people what they will look like when they are older emphasises that retirement planning should be a priority for today and has successfully stimulated behavioural change.<sup>9</sup>

## **Alipay**

Alipay nudges users to transfer very small amounts of unused cash into a money market fund, making investing both easy and accessible for a wider audience.<sup>10</sup>



# EVOLVING TALENT STRATEGIES



## Developments

1. Traditional customer-facing roles are evolving or being displaced as a result of wider industry trends
2. Increasing competition for talent, particularly in technical roles, and not just from within the banking industry
3. Innovative new approaches to attracting and retaining a diverse, talented workforce

## Examples

In Singapore, **DBS** has established successful hackathon events to attract top talent in emerging technologies.<sup>11</sup>

The **ING** 'circles' and 'super circles' programme coaches staff in complete end-to-end tasks and not simply one element of a process, building towards a more versatile, productive and engaged workforce.<sup>12</sup>



As with many industries, attracting and retaining high quality, diverse talent will be central to success in retail banking, particularly as competition for the best people comes from an increasingly broad selection of brands, not just traditional rivals. Banks need a compelling employer brand and employee value proposition, as well as effective recruitment processes that do not limit opportunities through subconscious bias.

Technological developments present both an opportunity and a challenge. On the one hand it enables greater fluidity and more agile working practices. However, there is also the potential for these transformations to significantly reduce head count; great for the bottom line, less positive for staff whose jobs are affected, and in need of careful management to ensure morale does not suffer.

**RICHARD BORDENAVE, BVA NUDGE UNIT**

 **SINGAPORE**



# USE BEHAVIOURAL SCIENCE TO:

1

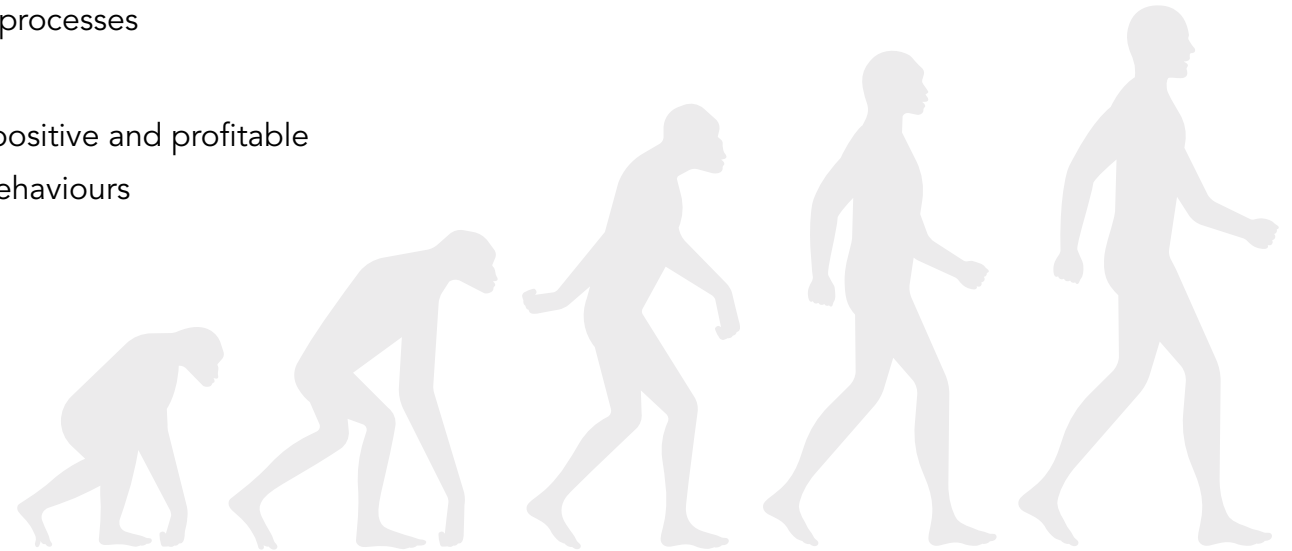
Attract the best talent

2

Remove unconscious bias from recruitment processes

3

Encourage positive and profitable workforce behaviours



# BEHAVIOURAL SCIENCE IN ACTION

## **Our work for BNP Paribas**

We developed a behavioural design approach to encourage greater diversity in recruitment to HR roles and re-set the gender balance. These included internal activities to:

- Re-frame the HR Business Partner position as the skilled and strategic role that it is
- Overcome subconscious biases during the interview and selection stage, including nudges and process changes
- Make it easy for top talent and ambitious candidates to envisage their career path in HR



# CONCLUSION

Behavioural science serves as a new frontier in banking, providing an innovative means of capitalising upon the substantial investment in technology and people that is evident across the industry.

New technology and new regulations (such as PSD2 in Europe), are generating exciting opportunities to transform the industry, whilst raising challenging questions for some brands. However, technology alone will not win the battle for banking supremacy. The winners will develop their propositions with a clear understanding of human behaviour to create 'addictive' products and effortless experiences that are memorable for the right reasons.

# USE BEHAVIOURAL SCIENCE TO:

1

Encourage greater use of self-service and digital tools

2

Reframe the role of the physical branch and its staff

3

Optimise contact centre strategy and service delivery

4

Promote financial well-being and drive loyalty

5

Recruit and retain a diverse and talented workforce

In any effort to leverage behavioural science it is vital to understand your target audience, identify the behaviour that you wish to influence, create nudges and test the recommendations. The BVA Group offers a complete solution to these requirements, with recognised expertise in finance, behavioural science, insight and innovation.



Caroline Ahmed  
caroline.ahmed@bva-bdrc.com



Simone Pizzoglio  
simone.pizzoglio@bva-doxa.com



Marion Stephan  
marion.stephan@bva-group.com



Pauline Le Golvan  
pauline.legolvan@bvanudgeunit.com

# ABOUT THE BVA GROUP

We are a global financial research powerhouse

**400+**

projects from 120+ clients a year

**14**

of the top 15 European banks

**9**

of the top 20 global banks

**100+**

financial sector specialists globally

**€15+ million**

revenue a year from financial brands

We help financial clients heighten their potential

- Full service insight consultancy
- Financial sector specialists
- Behavioural science experts
- Design and innovation capabilities



**Aquire**

customers and market share

**Nurture**

relationships and loyalty

**Maximise**

profitable behaviour

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